

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3859-02
Bill No.: SB 939
Subject: Insurance Dept.; Insurance - General; Health Care Professionals
Type: Original
Date: February 28, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Insurance Dedicated	(\$123,563)	(\$120,524)	(\$123,555)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$123,563)	(\$120,524)	(\$123,555)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri House of Representatives** and **Missouri Senate** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal to the SOS for administrative rules is less than \$1,500. The SOS does not expect additional funding would be required to meet these costs. However, the SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance (INS)** state the INS will be required to develop risk-reporting categories, collect data to calculate median base rates, develop a database to report on base rates charged by insurers, and assist the newly created Health Care Stabilization Fund Feasibility Board in analyzing medical malpractice data and reporting to the governor and general assembly. In addition, the INS will review additional policy forms regarding cancellations/nonrenewals/premium increases.

ASSUMPTION (continued)

One Insurance Product Analyst II FTE (beginning in FY2007) will review additional policy forms regarding cancellations/non-renewals/premium increases, assist with development of risk-reporting categories, help develop a database to report on base rates charged by insurers, and assist the newly created Health Care Stabilization Fund Feasibility Board in analyzing medical malpractice data and reporting to the governor and general assembly.

A half-time actuary (0.5 FTE) would be required to be hired in FY2007 to begin development of risk reporting categories (May 30, 2007 deadline), help develop a database to report on base rates charged by insurers and assist the newly created Health Care Stabilization Fund Feasibility Board in analyzing medical malpractice data and reporting to the governor and general assembly.

One-time computer contracting of \$27,540 (\$90/hr X 306 hours) will be necessary to implement the provisions of the proposal. Requirements identified include: 1) Receipt of data electronically from insurers: actual rates for defined categories; base rate information; and premium, loss, exposure and other information, 2) A database to store the rates and other information electronically, along with functionality to process the data as described in the proposal language, 3) Adding security to the database to make it a protected database due to the confidential nature of some of the data, 4) Make the data collected per this proposal available to MO insurers and the public through PDF files and on the MDI website. The website could include basic lookup features and sorts, and would not include identifying insurer information for certain data per the proposal language, and 5) Various reporting requirements to develop reports for the governor and general assembly.

Medical malpractice insurers will be required to refile policy forms to conform with the cancellation provisions. There were approximately 89 insurers that have written premium for medical malpractice insurance in calendar year 2004. The INS estimates one-time revenues to the Insurance Dedicated Fund of \$4,450 (89 insurers x\$50 filing fee).

Oversight assumes the INS will not need additional equipment and supplies for the 0.5 FTE Actuary.

The proposal will result in an increase in total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees	\$4,450	\$0	\$0
<u>Costs - Department of Insurance</u>			
Personal service costs (1.5 FTE)	(\$65,979)	(\$81,154)	(\$83,183)
Fringe benefits	(\$29,070)	(\$35,756)	(\$36,650)
Equipment and expense	<u>(\$32,964)</u>	<u>(\$3,614)</u>	<u>(\$3,722)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$128,013)</u>	<u>(\$120,524)</u>	<u>(\$123,555)</u>
TOTAL ESTIMATED EFFECT ON INSURANCE DEDICATED FUND	<u>(\$123,563)</u>	<u>(\$120,524)</u>	<u>(\$123,555)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal modifies various provisions of law pertaining to medical malpractice insurance.

FILING OF INFORMATION BY MEDICAL MALPRACTICE INSURANCE COMPANIES -
 This proposal modifies the definition of "insurer" to include 383 medical malpractice associations and self-insured health care providers for the purposes of filing medical malpractice claim reports (Section 383.105). The proposal requires the director of the Department of Insurance to establish by rule reporting standards in which insurers shall report annually insurance premiums, losses, exposure, and other information the director may require. This data will assist the department to monitor marketplace rates, financial solvency, affordability and the availability of medical malpractice insurance. The data collected shall be compiled in such a manner to assist medical malpractice insurers in developing future base rates, schedule rating or individual rating factors. The proposal requires the director to establish risk-reporting categories

DESCRIPTION (continued)

for medical malpractice insurance and establish regulations for the reporting of all base rates and premiums charged by such categories. These risk-reporting categories shall be established prior to May 30, 2007. Beginning June 1, 2008, medical malpractice insurers and self-insured health care providers must provide an annual report describing the actual rates or assessments charged for insurance for each of the risk-reporting categories (Section 383.106).

PUBLISHING OF MARKET RATES - The proposal requires the director to establish and publish market rates using the data collected under the proposal. The market rate shall reflect the median of the actual rates charged by insurers (those who have at least a 3% market share) for the various risk-reporting categories for the preceding year (Section 383.107).

The proposal requires the director to establish reporting standards for insurers to report their base rates for the various risk-reporting categories. The director shall create a public database that compares the base rates charged by each insurer (Section 383.108).

PENALTIES FOR NOT FILING OR REPORTING INFORMATION - If an insurer violates any of the provisions relating to reporting medical malpractice information, the director may issue cease and desist orders and seek other remedies outlined in the act to assure compliance (Section 383.124).

NOTICE OF NONRENEWAL OR CANCELLATION - This proposal prohibits insurance companies and other entities providing medical malpractice insurance from: (1) increasing premiums and other surcharges more than 25% without providing 90 days' prior notice to the insured; (2) refusing to renew policies without 90 days' prior notice, unless the refusal to renew is based upon nonpayment of insurance premiums or license termination or suspension or a material change in the insured's health care practice; and (3) ceasing to issue insurance policies without 180 days' prior notice to the Department. Any insurer that fails to provide the required notice, at the option of the insured, shall be required to continue the coverage. This section is similar to the one contained in HB 394 (2005)(Section 383.400).

HEALTH CARE STABILIZATION FUND FEASIBILITY BOARD - This proposal creates the Health Care Stabilization Fund Feasibility Board within the Department of Insurance to analyze medical malpractice data to determine whether a health care stabilization fund should be established in Missouri. As part of its duties, the board shall develop a comprehensive study detailing whether a health care stabilization fund is feasible within Missouri, or specified geographic regions thereof, or whether a health care stabilization fund would be feasible for specific medical specialties. If a health care stabilization fund is feasible within Missouri, the report shall also recommend to the General Assembly how the fund should be structured, designed, and funded.

DESCRIPTION (continued)

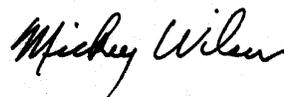
The board shall consist of ten members. Other than the director, the house members and the senate members, the remainder of the board's members shall be appointed by the director of the department of insurance. The board shall be composed of: (1) The director of the Department of Insurance, or his or her designee; (2) Two members of the Missouri Senate appointed by the president pro tem of the senate with no more than one from any political party; (3) Two members of the Missouri House of Representatives appointed by the speaker of the house with no more than one member from any political party; (4) One member who is licensed to practice medicine and surgery in Missouri who is on a list of nominees submitted to the director by an organization representing Missouri's medical society; (5) One member who is a doctor of osteopathy and who is on a list of nominees submitted to the director by an organization representing Missouri doctors of osteopathy; (6) One member who is a licensed nurse in Missouri and who is on a list submitted to the director by an organization representing Missouri nurses; (7) One member who is a representative of Missouri hospitals and who is on a list of nominees submitted to the director by an organization representing Missouri hospitals; and (8) One member who is a physician and who is on a list submitted to the director by an organization representing family physicians in the state of Missouri.

The director shall appoint the members of the board, other than the General Assembly members, no later than January 1, 2007. Once appointed, the board shall meet at least quarterly, and shall submit its final report and recommendations regarding the feasibility of a health care stabilization fund to the governor and the general assembly no later than December 31, 2010. The proposal also requires the board to submit annual reports on the board's progress. This portion of the act will expire December 31, 2010.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance
Missouri House of Representatives
Missouri Senate
Office of Secretary of State



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